

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Verona Township	County Huron
Fiscal Year End 3/31/06	Opinion Date 8/15/06	Date Audit Report Submitted to State 9/7/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Brining & Nartker, P.C.		Telephone Number 989-269-9909		
Street Address 64 Westland Drive		City Bad Axe	State MI	Zip 48413
Authorizing CPA Signature <i>Brining & Nartker, P.C. by: Douglas P. Brining, CPA</i>		Printed Name Douglas P. Brining, CPA		License Number 082 83

**TOWNSHIP OF VERONA
HURON COUNTY, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2006**

TOWNSHIP OF VERONA, HURON COUNTY

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BRINING & NARTKER, P.C.

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Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Honorable Township Board Members
Township of Verona
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Verona, Huron County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Verona, Huron County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not prepared their discussion and analysis information for the Township of Verona, Huron County, Michigan. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Verona Huron County, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 13 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Colfax, Huron County, Michigan's basic financial statements. The accompanying additional information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brining & Nartker, P.C.

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 15, 2006

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF VERONA, HURON COUNTY
STATEMENT OF NET ASSETS
MARCH 31, 2006

GOVERNMENTAL
ACTIVITIES

ASSETS:

Current assets:

Cash	\$ 1,128,015
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Taxes receivable	21,788
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Capital assets - net of accumulated depreciation	32,599
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TOTAL ASSETS	1,182,402
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LIABILITIES:

Current liabilities:

Accounts payable	694
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Performance bond - Road Commission	3,000
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Current maturities of long-term debt	16,079
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Noncurrent liabilities:

Noncurrent portion of long-term debt	70,470
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TOTAL LIABILITIES	90,243
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NET ASSETS:

Investment in capital fixed assets net of related debt	32,599
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Restricted:

Nonexpendable	65,011
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Unrestricted	994,549
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TOTAL NET ASSETS	\$ 1,092,159
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The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF VERONA, HURON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006**

		<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
FUNCTIONS:				
Governmental Activities				
General government	73,595	2,000	3,072	(68,523)
Public safety	61,745	-	-	(61,745)
Public works	132,428	-	-	(132,428)
Total Governmental Activities	<u>\$ 267,768</u>	<u>\$ 2,000</u>	<u>\$ 3,072</u>	<u>(262,696)</u>
GENERAL REVENUES:				
Property taxes				234,749
State sources				92,997
Investment earnings				30,413
Miscellaneous				3,134
TOTAL GENERAL REVENUES				<u>361,293</u>
CHANGE IN NET ASSETS				<u>98,597</u>
NET ASSETS - APRIL 1, 2005				993,562
NET ASSETS - MARCH 31, 2006				<u>\$ 1,092,159</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF VERONA, HURON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>FIRE FUND</u>	<u>PERPETUAL CARE FUND</u>	<u>NONMAJOR GOVERNMENTAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Cash	\$ 861,382	\$ 85,154	\$ 105,631	\$ 65,011	\$ 10,837	\$ 1,128,015
Taxes receivable	6,594	8,683	6,511	-	-	21,788
TOTAL ASSETS	<u><u>\$ 867,976</u></u>	<u><u>\$ 93,837</u></u>	<u><u>\$ 112,142</u></u>	<u><u>\$ 65,011</u></u>	<u><u>\$ 10,837</u></u>	<u><u>\$ 1,149,803</u></u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Accounts payable	\$ 694	\$ -	\$ -	\$ -	\$ -	\$ 694
Performance bond - Road Commission	-	3,000	-	-	-	3,000
TOTAL LIABILITIES	<u>694</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,694</u>
FUND BALANCE:						
Reserved	-	-	-	65,011	-	65,011
Unreserved	<u>867,282</u>	<u>90,837</u>	<u>112,142</u>	<u>-</u>	<u>10,837</u>	<u>1,081,098</u>
	867,282	90,837	112,142	65,011	10,837	1,146,109
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 867,976</u></u>	<u><u>\$ 93,837</u></u>	<u><u>\$ 112,142</u></u>	<u><u>\$ 65,011</u></u>	<u><u>\$ 10,837</u></u>	<u><u>\$ 1,149,803</u></u>

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Total governmental fund balances	\$ 1,146,109
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	32,599
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(86,549)
Net assets of governmental activities	<u><u>\$ 1,092,159</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF VERONA, HURON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006**

	GENERAL FUND	ROAD FUND	FIRE FUND	PERPETUAL CARE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	\$ 76,953	\$ 90,183	\$ 67,613	\$ -	\$ -	\$ 234,749
Licenses and permits	745	-	-	-	-	745
Intergovernmental	92,997	-	-	-	-	92,997
Charges for services	-	-	-	250	1,750	2,000
Interest	24,712	2,128	1,599	488	1,486	30,413
Other	2,515	2,946	-	-	-	5,461
TOTAL REVENUES	197,922	95,257	69,212	738	3,236	366,365
EXPENDITURES:						
Current:						
General government	69,021	-	-	-	-	69,021
Public safety	-	-	61,745	-	-	61,745
Public works	19,528	129,172	-	-	-	148,700
Cemetery	-	-	-	-	3,258	3,258
Capital outlay	409	-	-	-	7,717	8,126
TOTAL EXPENDITURES	88,958	129,172	61,745	-	10,975	290,850
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	108,964	(33,915)	7,467	738	(7,739)	75,515
OTHER FINANCING SOURCES (USES):						
Operating transfers in	-	7,000	-	-	5,220	12,220
Operating transfers out	(12,000)	-	-	(220)	-	(12,220)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	96,964	(26,915)	7,467	518	(2,519)	75,515
FUND BALANCE - APRIL 1	770,318	117,752	104,675	64,493	13,356	1,070,594
FUND BALANCE - MARCH 31	\$ 867,282	\$ 90,837	\$ 112,142	\$ 65,011	\$ 10,837	\$ 1,146,109

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Total net change in fund balances - governmental funds	\$ 75,515
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	7,717
Depreciation	(907)

Repayment of loans is an expenditure in governmental funds but reduces long-term liabilities in the statement of net assets.	16,272
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Change in net assets of governmental activities.	\$ 98,597
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The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF VERONA, HURON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
MARCH 31, 2006**

<u>ASSETS</u>	
Cash	\$ 212,258
TOTAL ASSETS	<u>212,258</u>
<u>LIABILITIES</u>	
Due to other funds	212,258
TOTAL LIABILITIES	<u>212,258</u>
NET ASSETS	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF VERONA, HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Verona conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity:

The Township is located in Huron County, Michigan and has approximately 1,350 residents. The Township is governed by a five person elected board and provides roads, fire protection, cemetery maintenance services and ambulance services for its residents.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB 39, the definition of the reporting entity is based primarily on the premise of financial accountability. The Township is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on these provisions, there are no organizations that are deemed to be component units of the Township.

Accounting Estimates:

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

**TOWNSHIP OF VERONA, HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes, licenses and interest revenue. All other revenue items are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund is used to account for property taxes allocated to provide for the maintenance of roads.

The Fire Fund is used to account for property taxes allocated to provide fire protection services.

The Perpetual Care Fund is used to invest amounts received from perpetual care charges, the earnings of which are used for cemetery maintenance purposes.

The Township reports the Cemetery Fund as a nonmajor fund.

Additionally, the Township reports the following fund types:

The Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax roll. The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year. Delinquent personal property taxes are not paid by the County revolving tax fund and will be remitted to the Township as collection occurs.

Capital Assets:

Capital assets, which include buildings and equipment, are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are defined as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings	25 years
Equipment	5 to 15 years

Restricted Net Assets:

Restricted net assets represents cash received from cemetery perpetual care that is to be invested, the earnings of which are to be used for maintenance of the Township cemetery.

(Continued)

**TOWNSHIP OF VERONA, HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgets:

Annual budgets are approved prior to the beginning of the fiscal year and are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds except for the Perpetual Care Fund, which is a permanent fund and no budget was prepared. All annual appropriations lapse at year end. The Township does not utilize encumbrance accounting.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS:

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The legal level of budgetary control adopted by the governing body is the line item level.

During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, as follows:

	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund:			
Operating transfers out	\$ -	\$ 12,000	\$ 12,000
Perpetual Care Fund:			
Operating transfers out	\$ -	\$ 220	\$ 220

NOTE 3 - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91(Public Act 20 of 1943, as amended), authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority and the Township has no investments as of March 31, 2006.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the Township had \$931,079 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

**TOWNSHIP OF VERONA, HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
(CONTINUED)**

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the current year was as follows:

	BALANCE APRIL 1, <u>2005</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE MARCH 31, <u>2006</u>
Capital Assets Not Being Depreciated				
Land	\$ 13,500	\$ 7,717	\$ -	\$ 21,217
Capital Assets Being Depreciated				
Buildings	15,364	-	-	15,364
Equipment	88,176	-	-	88,176
	<u>103,540</u>	<u>-</u>	<u>-</u>	<u>103,540</u>
Less: Accumulated Depreciation				
Buildings	4,249	614	-	4,863
Equipment	87,002	293	-	87,295
	<u>91,251</u>	<u>907</u>	<u>-</u>	<u>92,158</u>
Total Capital Assets Being Depreciated - Net	<u>12,289</u>	<u>(907)</u>	<u>-</u>	<u>11,382</u>
Governmental Activity Capital Assets - Net	<u>\$ 25,789</u>	<u>\$ 6,810</u>	<u>\$ -</u>	<u>\$ 32,599</u>

Depreciation expense was charged to programs of the Township as follows:

General Government	<u>\$ 907</u>
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NOTE 5 – INTERFUND TRANSFERS:

The composition of interfund balances in the fund-level financial statements is as follows:

Interfund transfers for the year ended March 31, 2006 consisted of the following:

<u>FUND TRANSFERRED FROM</u>	<u>FUND TRANSFERRED TO</u>	<u>AMOUNT</u>
General Fund	Road Fund	<u>\$ 7,000</u>
General Fund	Cemetery Fund	<u>\$ 5,000</u>
Perpetual Care Fund	Cemetery Fund	<u>\$ 220</u>

The transfers from the General Fund to the Road Fund and to the Cemetery Fund were for operating purposes. The interest received in the Perpetual Care Fund was transferred to the Cemetery Fund to be used for maintenance of the Township Cemetery.

**TOWNSHIP OF VERONA, HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
(CONTINUED)**

NOTE 6 – LONG-TERM DEBT:

A summary of changes in long-term debt is as follows:

	BALANCE APRIL 1, <u>2005</u>	ADDITIONS (RETIREMENTS)	BALANCE MARCH 31, <u>2006</u>
Various drain assessments payable, due in annual installments based on the number of annual assessments remaining on each drain.	\$ 102,821	\$ (16,272)	\$ 86,549

Annual debt service requirements to maturity is as follows at March 31:

	PRINCIPAL	INTEREST	TOTAL
2007	\$ 16,079	\$ -	\$ 16,079
2008	12,808	-	12,808
2009	11,835	-	11,835
2010	11,284	-	11,284
2011	9,027	-	9,027
2012 - 2016	20,463	-	20,463
2017 - 2020	5,053	-	5,053
	<u>\$ 86,549</u>	<u>\$ -</u>	<u>\$ 86,549</u>

Interest expense for the year ended March 31, 2006 was \$0.

NOTE 7 – JOINT VENTURE:

Pursuant to an inter-local agreement dated September 7, 1990 between the Township and the City of Bad Axe and Colfax Township, fire protection services are provided by the Bad Axe Area Fire Protection Association. At inception, the Township contributed \$70,216 for its equity interest in the equipment of the Association. This amount has been recorded as a capital asset of the Township. The Township makes annual operating contributions to the Association based on a formula included in the agreement. The equity interest is calculated based on the Township's total contributions as a percentage of all contributions received by the Association. Separate financial statements through 2005 for the joint venture are available from the Bad Axe Area Fire Protection Association. As of December 31, 2005 general fund equity amounted to \$109,569.

NOTE 8 – PROPERTY TAX LEVY:

The Township's tax levy for the year is based on taxable value of \$45,033,414. The mills levied per \$1,000 of taxable value are as follows:

General Fund	1.2827
Road Fund	2.0000
Emergency Services Fund	1.4995
	<u>4.7822</u>

**TOWNSHIP OF VERONA, HURON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
(CONTINUED)**

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY:

For the year ended March 31, 2006, the Township implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. It creates new basic financial statements which now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Also the statement requires a management's discussion and analysis letter to offer readers a narrative of the financial statements.

As a result of implementing GASB Statement No. 34, net assets were restated at April 1, 2005 as follows:

Fund Balance - Governmental Funds April 1, 2005	\$ 1,070,594
Capital Assets - Net	25,789
Long-term Debt	(102,821)
	<hr/>
	\$ 993,562
	<hr/>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF VERONA, HURON COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL <u>BUDGET</u>	FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes:				
Property taxes and fees	\$ 61,585	\$ 61,585	76,953	\$ 15,368
Licenses and permits	800	800	745	(55)
Intergovernmental revenue:				
State shared revenue	94,981	94,981	92,997	(1,984)
Interest	8,500	8,500	24,712	16,212
Other revenue	3,350	3,350	2,515	(835)
TOTAL REVENUES	<u>169,216</u>	<u>169,216</u>	<u>197,922</u>	<u>28,706</u>
EXPENDITURES:				
General government:				
Salaries and wages	37,000	37,000	31,900	5,100
F.I.C.A.	4,000	4,000	2,060	1,940
Board of review	1,200	1,200	1,035	165
Board of appeals	400	400	-	400
Insurance and bonds	5,500	5,500	4,482	1,018
Dues and meetings	5,500	5,500	1,758	3,742
Election expense	4,500	4,500	-	4,500
Printing	650	650	134	516
Legal fees	2,200	2,200	360	1,840
Accounting fees	1,500	1,500	815	685
Planning commission	2,500	2,500	341	2,159
Office supplies	6,000	8,500	6,362	2,138
Hall maintenance	2,000	2,000	275	1,725
Assessing	12,000	12,000	8,890	3,110
Permits and inspections	900	900	780	120
Miscellaneous	100	100	-	100
Total general government	<u>85,950</u>	<u>88,450</u>	<u>59,192</u>	<u>29,258</u>
Public works:				
Drains at large	20,000	20,000	16,272	3,728
Street lights and utilities	3,000	3,000	2,525	475
Ditch reimbursements	1,000	1,000	731	269
Total public works	<u>24,000</u>	<u>24,000</u>	<u>19,528</u>	<u>4,472</u>
Health and welfare:				
Ambulance	3,373	3,373	3,373	-
Recreation and culture:				
Summer program	250	250	140	110
Library	6,316	6,316	6,316	-
Capital outlay	2,000	2,000	409	1,591
TOTAL EXPENDITURES	<u>121,889</u>	<u>124,389</u>	<u>88,958</u>	<u>35,431</u>

(Continued)

**TOWNSHIP OF VERONA, HURON COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006
(CONTINUED)**

	ORIGINAL <u>BUDGET</u>	FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE- FAVORABLE (UNFAVORABLE)
EXCESS OF REVENUES OVER EXPENDITURES	<u>47,327</u>	<u>44,827</u>	<u>108,964</u>	<u>64,137</u>
OTHER FINANCING SOURCES (USES): Operating transfers out	-	-	(12,000)	(12,000)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>47,327</u>	<u>44,827</u>	<u>96,964</u>	<u>52,137</u>
FUND BALANCE - April 1	770,318	770,318	770,318	-
FUND BALANCE - March 31	<u>\$ 817,645</u>	<u>\$ 815,145</u>	<u>\$ 867,282</u>	<u>\$ 52,137</u>

**TOWNSHIP OF VERONA, HURON COUNTY
BUDGETARY COMPARISON SCHEDULE
ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 80,411	\$ 80,411	\$ 90,183	\$ 9,772
Interest	-	-	2,128	2,128
Other	-	-	2,946	2,946
TOTAL REVENUES	<u>80,411</u>	<u>80,411</u>	<u>95,257</u>	<u>14,846</u>
EXPENDITURES:				
Road construction and maintenance	102,402	120,000	118,576	1,424
Brine	13,000	13,000	10,596	2,404
TOTAL EXPENDITURES	<u>115,402</u>	<u>133,000</u>	<u>129,172</u>	<u>3,828</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,991)</u>	<u>(52,589)</u>	<u>(33,915)</u>	<u>18,674</u>
OTHER FINANCING SOURCES:				
Operating transfers in	-	-	7,000	7,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(34,991)</u>	<u>(52,589)</u>	<u>(26,915)</u>	<u>25,674</u>
FUND BALANCE - April 1	117,752	117,752	117,752	-
FUND BALANCE - March 31	<u>\$ 82,761</u>	<u>\$ 65,163</u>	<u>\$ 90,837</u>	<u>\$ 25,674</u>

**TOWNSHIP OF VERONA, HURON COUNTY
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 60,305	\$ 60,305	\$ 67,613	\$ 7,308
Interest	-	-	1,599	1,599
TOTAL REVENUES	<u>60,305</u>	<u>60,305</u>	<u>69,212</u>	<u>8,907</u>
EXPENDITURES:				
Fire protection agreement	64,000	64,000	60,702	3,298
Board fees	2,225	2,225	1,043	1,182
TOTAL EXPENDITURES	<u>66,225</u>	<u>66,225</u>	<u>61,745</u>	<u>4,480</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,920)</u>	<u>(5,920)</u>	<u>7,467</u>	<u>13,387</u>
FUND BALANCE - April 1	104,675	104,675	104,675	-
FUND BALANCE - March 31	<u>\$ 98,755</u>	<u>\$ 98,755</u>	<u>\$ 112,142</u>	<u>\$ 13,387</u>

ADDITIONAL INFORMATION

**TOWNSHIP OF VERONA, HURON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - CEMETERY FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Lot sales	\$ 4,000	\$ 4,000	\$ 1,750	\$ (2,250)
Interest	1,600	1,600	1,486	(114)
TOTAL REVENUES	<u>5,600</u>	<u>5,600</u>	<u>3,236</u>	<u>(2,364)</u>
EXPENDITURES:				
Labor	3,560	3,560	3,258	302
Supplies	500	500	-	500
Capital outlay	5,000	8,500	7,717	783
TOTAL EXPENDITURES	<u>9,060</u>	<u>12,560</u>	<u>10,975</u>	<u>1,585</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,460)</u>	<u>(6,960)</u>	<u>(7,739)</u>	<u>(779)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	-	-	5,220	5,220
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(3,460)</u>	<u>(6,960)</u>	<u>(2,519)</u>	<u>4,441</u>
FUND BALANCE - April 1	13,356	13,356	13,356	-
FUND BALANCE - March 31	<u>\$ 9,896</u>	<u>\$ 6,396</u>	<u>\$ 10,837</u>	<u>\$ 4,441</u>

**TOWNSHIP OF VERONA, HURON COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>BALANCE</u> <u>APRIL 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>MARCH 31, 2006</u>
<u>ASSETS</u>				
Cash	\$ 210,759	\$ 1,339,853	\$ 1,338,354	\$ 212,258
TOTAL ASSETS	<u>\$ 210,759</u>	<u>\$ 1,339,853</u>	<u>\$ 1,338,354</u>	<u>\$ 212,258</u>
<u>LIABILITIES</u>				
Due to other funds	210,759	\$ 214,284	212,785	\$ 212,258
Due to county	-	573,979	573,979	-
Due to schools	-	551,590	551,590	-
TOTAL LIABILITIES	<u>\$ 210,759</u>	<u>\$ 1,339,853</u>	<u>\$ 1,338,354</u>	<u>\$ 212,258</u>

BRINING & NARTKER, P.C.

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Certified Public Accountants
American Institute of
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August 15, 2006

To the Township Board
Township of Verona
Huron County, Michigan

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Township of Verona for the year ended March 31, 2006, and are submitted for your evaluation and consideration. We would like to emphasize that, since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive.

Capitalization Policy

The process of implementing GASB Statement No. 34 requires a conversion from the fund financial statements to the government-wide financial statements. Capital assets are one of the items for which the accounting treatment differs between these two types of statements. For purposes of the government-wide statements, capital assets, which include buildings and equipment, are defined as being tangible in nature with an estimated useful life of two or more years and an original cost over a specified dollar threshold (e.g. \$1,000 or \$2,000). The cost of these capital assets is recorded in the government-wide statement of net assets and depreciated over the estimated useful life of the asset whereas the cost is treated as a current year expenditure for purposes of the fund financial statements.

We recommend that the Board adopt a capitalization policy that defines the criteria for recording a capital asset. This policy should include a dollar threshold over which the cost of an asset would be capitalized and the estimated useful lives for the various types of assets owned/used by the Association.

We wish to take this opportunity to thank the officials with whom we have worked for the cooperation we received throughout our audit. As always, our firm will be happy to assist in implementing any recommendations approved by the Board.



BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS